

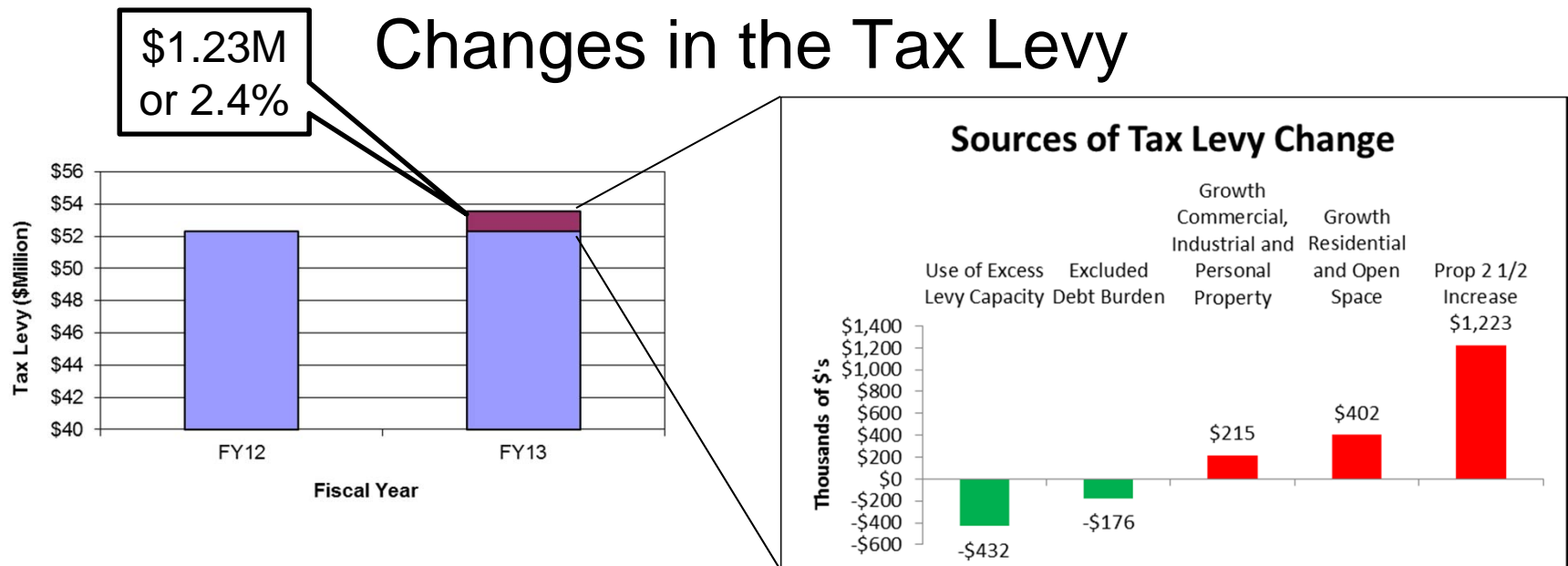


# The Annual Analysis of Tax Bill Changes.

Prepared by the Bedford Board of Assessors  
January 6, 2013

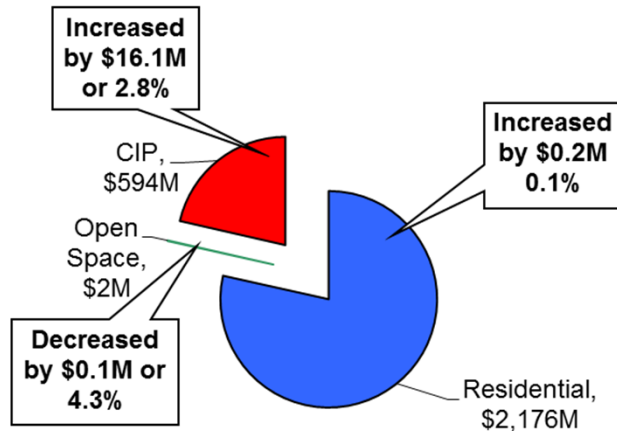
# What caused the changes I see in my 3<sup>rd</sup> quarter tax bill?

- For the past two years the Board of Assessors produced an analysis of the changes in residential tax bills to explain the change in the tax bills from the second quarterly bill to the third. Given the positive feedback we received, we have decided to reprise this presentation for 2013.
- Since 1988 the average percentage year-on-year growth in the tax obligation for a single family residence in Bedford has been 6.1%. It has been as high as 12% (2003) and as low as 1% (1998). For FY13 it matches the lowest increase at 1% which translates to an annual increase in the tax burden of about \$80 for the average single family home.
- In spite of the small increase in the annual tax obligation the typical single family tax bill will show a small decrease between the Q2 and Q3 tax bills of about \$60 or 2.9%.
- This change in the quarterly tax bills can largely be explained by three factors.
  - Changes in the Tax Levy from FY12 to FY13
  - A shift in value to the Commercial, Industrial, and Personal Property (CIP) classes from the Residential class.
  - The impact of Quarterly Tax billing.
- This is a discussion of the overall changes in residential tax bills. Some taxpayers may see more variation in their tax bills than average.



- Each year towns are allowed to increase their tax levy limit under Proposition 2½ . This year that increase accounts for about \$1.2M.
- New Growth: Growth in value due to property improvements is another allowable increase under Proposition 2½. This year New Growth for all classes accounts for about \$617K. In 2013 New Growth was slightly higher than last year but still relatively low at about 60% of the ten year average.
- It has been the Town's policy to ask voters to approve Debt Exclusions under Proposition 2½ for large capital infrastructure projects. The 2013 level Excluded Debt that the voters approved is about \$176K less than it was in 2012. This reduction is due to the structure of the payment schedules on the Town's borrowing for these projects. The High School project accounts for 70% of the Town's exempt debt load for FY13, the DPW project 17%, and the Middle School Project 13%.
- In 2002 the Mitre property came off the tax rolls because their auditors determined it was improper for Mitre to voluntarily pay property taxes as they had been since the 1950's. When that occurred, Mitre and the Town negotiated a Payment in Lieu of Taxes (PILOT) agreement that generates \$1M -1.5M in additional revenue for the Town annually. This agreement had the side effect of creating an Excess Levy Capacity under the rules of Proposition 2 ½ . In 2013 the Town was able to significantly reduce the use of this taxing capacity producing a reduction of \$432K in the tax levy .

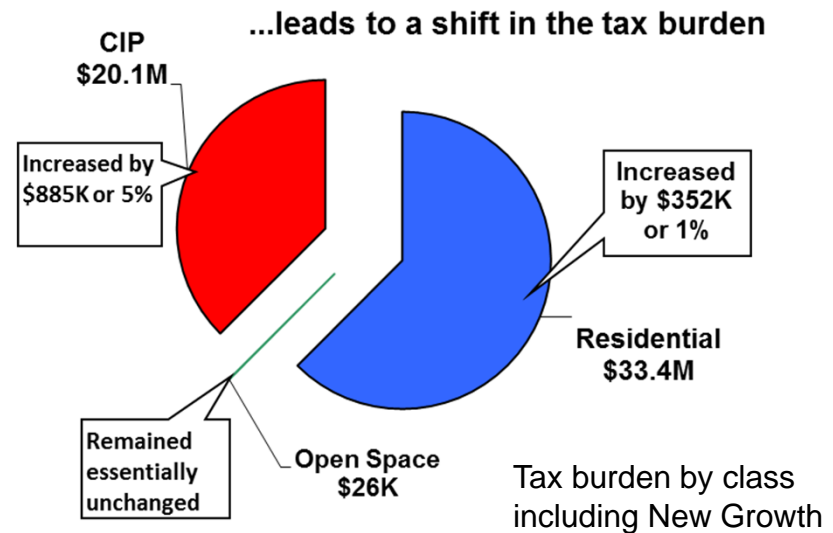
# The Shift of Value to the Commercial, Industrial and Personal Property Classes



A shift in property values....

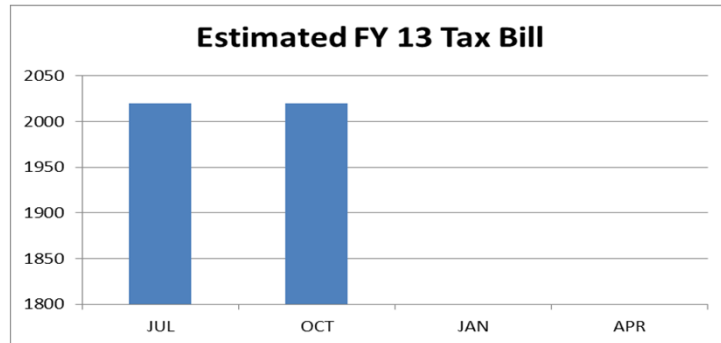
Bedford utilizes differential tax rates for CIP and Residential property. Doing so reduces the tax obligation for the average single family home in Bedford by \$2,014 in FY13. For the first time in more than twenty years Bedford has seen a shift in the tax burden from the Residential sector to the CIP sector. This shift is amplified by the differential tax rates.

The property tax burden is in proportion to the value of the property. This year the value of the existing residential property base in Bedford decreased slightly (-0.2%) while the values for the existing Commercial, Industrial and Personal Property classes (CIP) increased (3.5%). New Growth for all classes represents 1.2% of the tax base and contributes about \$617K in taxes.

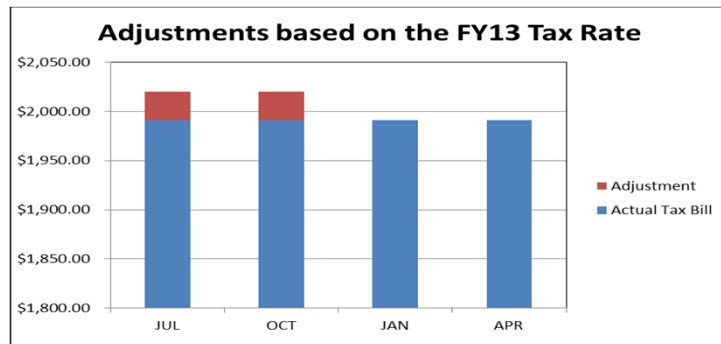


# Quarterly Tax Bill Impact

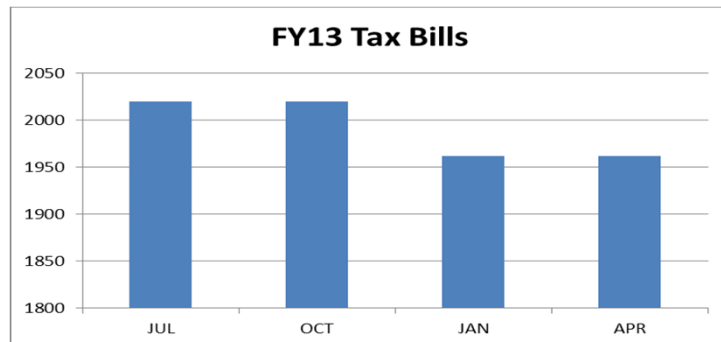
Based on the Average Single Family Residence



Because the tax rate is set in November the first two tax bills of the year are estimated tax bills; estimated based on a 2.5% increase over last year's tax bill.



When the new tax rate is set, the actual tax quarterly tax obligation is calculated requiring an adjustment based on the first two bill payments

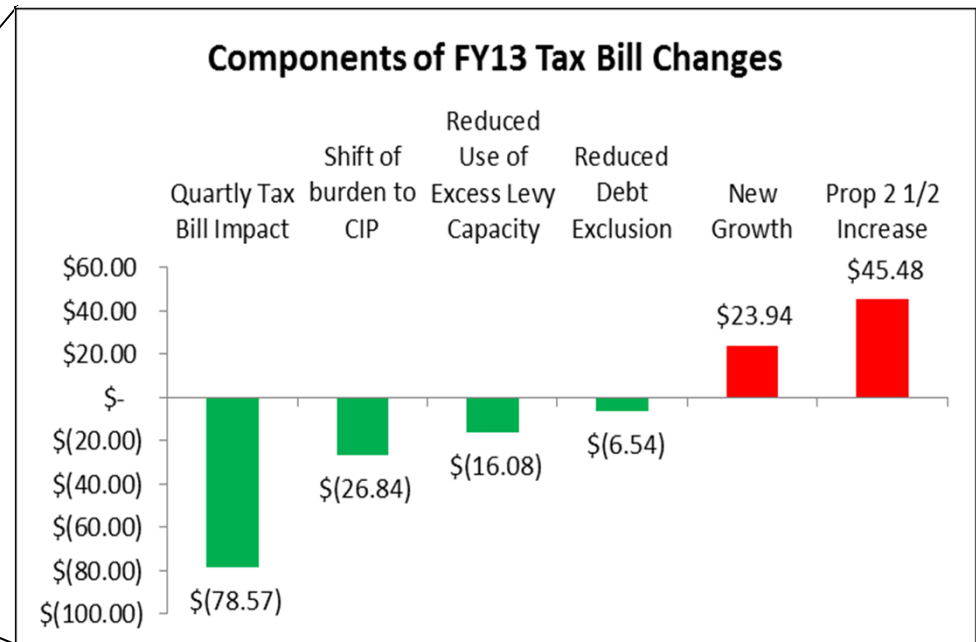
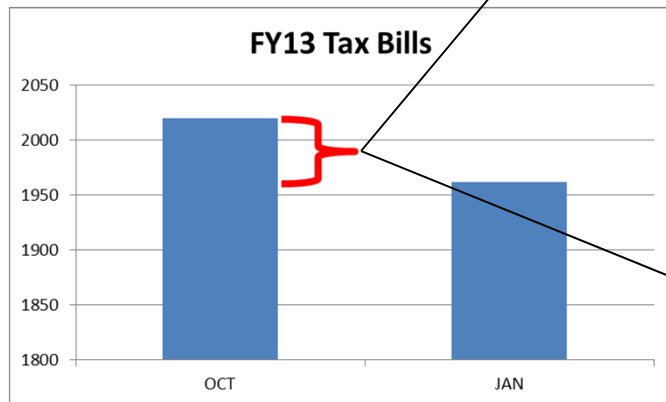


The adjustment for Q1 & Q2 is split evenly across the Q3 & Q4 bills. As a consequence an 1% increase in the tax obligation appears to be a 2.9% decrease when comparing the Q2 and Q3 tax bills.

# Summary:

## Changes in the Tax Bill for the Average Single Family Home

The average value of the Single Family Home in Bedford decreased from \$518,300 to \$518,100 from FY12 to FY13. This reflects both changes in the market and investments people have made in their homes. This change in values is recognized when the Town's tax rate is certified by the Department of Revenue and the impact is seen for the first time in the Q3 tax bill. Individual home values will vary from this average because the market impacts different neighborhoods and housing types differently.



We hope this helps to clarify your third quarter tax bill. If you have any remaining questions please do not hesitate to contact:  
the Assessors Office at 781-275-0046

This report was based on the analysis Board member John Linz prepared for the FY11 Tax Classification Hearings with the Selectmen and the data in the Massachusetts Department of Revenue Tax Certification system.